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FISCAL IMPACT STATEMENT

LS 7416

BILL NUMBER: HB 1664

NOTE PREPARED: Jan 6, 2003

BILL AMENDED:

SUBJECT: Natural Resources.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill contains the following provisions:

A) It requires the Department of Natural Resources to negotiate the wholesale rate of reservoir water. It authorizes the Utility Regulatory Commission to set wholesale water rates between the Department and a purchaser. It also allows the Water Resources Development Fund to be used for the operation of the Division of Water.

B) The bill establishes new and increased fees the Department must charge for the following: (1) a permit to alter a lake shoreline or bed; (2) a technical inspection of a low hazard or significant hazard dam; and (3) a permit to reconstruct a home in or to make other uses of a floodway. (The introduced version of this bill was prepared by the Natural Resources Study Committee.)

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Provision A* - The Department of Natural Resources should experience an increase in administrative expenses related to determining a rate of consumption. The Indiana Utility Regulatory Commission's administrative expenses could also increase if interested parties petition the IURC to set a rate of consumption.

Provision B - The Department of Natural Resources Water Division would experience minimal fiscal impact by the proposal for implementing the fees for dam inspections.

Explanation of State Revenues: *Provision A* - This bill will allow the Department to determine, by

agreement between it and the purchaser or contracting party, the rate of compensation to the state provided for in a contract for the sale of water on a unit pricing basis. Currently, the rate of compensation is set in statute at \$33 per one million (1M) gallons of water. The bill also provides the option for either party to petition the Indiana Utility Regulatory Commission to set the rate. This provision affects contracts entered into after June 30, 2003.

This bill will allow the rate to vary among future contracts. Depending on whether the new rates of consumption increase or decrease, revenue to the Department could fluctuate. Currently, money received from sale-of-water contracts is deposited in the Water Resources Development Fund. The Fund received approximately \$250,000 (for 7,575 million gallons) in revenue for FY 2002. This bill provides for the Division of Water to receive money from the Fund to assist in the operation of the Division.

Background Sale-of-Water Information: According to the Department, there are 10 active contracts with utilities and golf courses. The contracts are for the sale of water from Monroe, Brookville, Patoka, and Hardy Lakes. Two of the contracts are set to expire in 2005 and one in 2006. The length of the contracts vary from 10 to 50 years.

Provision B - The total projected additional revenue to the Department of Natural Resources from these fees is \$174,200. Revenues from these fees are deposited in the Land and Water Resources Fund, which had a balance of \$126,205 in FY 2002.

Background Fee Information: This bill provides for the Public Freshwater Lake Permit Fee and the Construction in a Floodway Permit Fee, both issued by the Department of Natural Resources Division of Water, be increased. The Public Freshwater Lake Permit Fee is to be increased from \$25 to \$100. The projected additional revenue from this fee is \$23,000.

The Construction in a Floodway Permit Fee is to be increased from \$50 to \$200. The projected additional revenue from this fee is \$118,000.

This bill also proposes new fees for the inspection of a Significant Hazard Structure and a Low Hazard Structure by the Department of Natural Resources. The fees are to be \$200 and \$100 respectively. The projected additional revenue is \$33,200.

Explanation of Local Expenditures: Local units of government that may provide water utility service could experience either an increase or decrease in expenditures related to the change in its rate of consumption upon expiration and renewal of an existing contract.

Explanation of Local Revenues:

State Agencies Affected: Division of Water, Department of Natural Resources.

Local Agencies Affected: Local units of government that provide water and or sewer utility service.

Information Sources: Department of Natural Resources.

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